

Federal Direct Loan Program (FDLP)

Eligible students or their parents may obtain a FDLP to pay for the student's cost of education. ED makes low interest loans to students and/or parents; the loans are disbursed by participating institutions. An institution may simultaneously participate in FDLP and FFELP but *a student or parent borrower may not borrow under both programs during the same period of enrollment.*

FDLP is a new program that is changing annually. You should obtain and review the institution's copy of the *Direct Loan School Guide* for the year(s) being audited. Institutions participate under one of three School Origination Options. Key concepts contained in the 1996-97 *School Guide* for each option follow.

For the 1995-96 Award Year	Level 2	Level 1	Alternative Origination
For the 1996-97 Award Year	Option 1	Option 2	Standard
Functions			
Create loan origination record	School	School	School
Transmit record to Loan Origination Center(LOC)	School	School	School
Prepare promissory note	School	School	LOC
Obtain completed/signed promissory note from borrower	School	School	LOC
Transmit promissory note to LOC	School	School	N/A
Determine funding needs	LOC	School	LOC
Initiate drawdown of funds	LOC	School	LOC
Receive funds electronically	School	School	School
Disburse loan to borrower	School	School	School
Create disbursement record	School	School	School
Transmit disbursement record to LOC	School	School	School
Reconcile on monthly basis (Data Matching)	School	School	School